

OHIO AIR QUALITY DEVELOPMENT AUTHORITY

The regular meeting of the Ohio Air Quality Development Authority (“Authority”) was held on Tuesday, October 11, 2022, at 10:00 am.

These are the minutes of the meeting.

The following members were present:

Jim Simon, Chairman
Michael Keenan, Vice Chairman
Michael Curtin
Cara Brook

Ex-Officio members present:

Gene Phillips, Ohio Department of Health

General Counsel:

Thad Boggs, Frost Brown Todd

Staff present:

Christina O’Keeffe, Executive Director
Brooke Grant, Manager of Planning and Projects
Sandra Langston, Administrative Manager
Dawn Pertner, Fiscal Officer
Gabriel Lorenz, Customer Service Coordinator
Joseph Mechling, Program Assistant
Jennifer Rich, Fiscal Associate
Laura Klein, Program Coordinator

Guest present:

Katie Lundy, Inspire PR
Anna Parker, Inspire PR
Jim Schultz, Huntington National Bank

Guest present remotely:

Mike Duda, Midtown Dry Cleaners

This meeting of the Authority has been duly posted and given to all news media, organizations and other persons who requested such information in accordance and in full compliance with Chapter 3706-1 of the Ohio Administrative Code.

Vice-Chairman Keenan served as Acting Chairman until Chairman Simon’s arrival. He called the meeting to order at 10:05 am.

1. Acting Chairman Keenan welcomed everyone.

Roll call of Authority Members:

Chairman Simon – Not Present (arrived at 10:28am)

Vice-Chairman Keenan – Present

Member Curtin – Present

Member Brook – Present

Member Phillips – Present

Member Johnson – Not Present

General Counsel Boggs confirmed compliance with the Open Meetings Act, that a quorum of four members was present and that it remained an open, public meeting. Mr. Boggs confirmed the meeting was fully in compliance with state law.

Acting Chairman Keenan stated that the Authority would be explicit on which item was on the table for discussion or vote, and that he would recognize members and guests by name and title during discussions or ask them to introduce themselves. He mentioned that a roll call vote for resolutions being voted on would be taken in random order.

2. Consent Agenda: Minutes – Regular business meeting September 13, 2022

Member Phillips moved for approval of the minutes. Member Curtin seconded.

Roll call vote:

Vice-Chairman Keenan: Yes

Member Brook: Yes

Member Phillips: Yes

Member Curtin: Yes

Motion passed unanimously. Minutes adopted.

3. Resolution 22-45 (CARC)

Midtown Dry Cleaners, LLC

A resolution authorizing the issuance of not to exceed \$86, 787 Air Quality Revenue Bonds of the State of Ohio in order to assist Midtown Dry Cleaners, LLC in the financing of costs of Air Quality Facilities in order to promote the public purposes of Chapter 3706, Ohio Revised Code; providing for the assignment of revenues for the payment of the bonds; authorizing the execution and delivery of a loan agreement, an assignment of loan agreement and the bonds; and authorizing and approving related matters.

Director O’Keeffe introduced this resolution for Midtown Dry Cleaners, LLC located in New Philadelphia. She noted this is the first CARC project in Tuscarawas County. This dry-cleaning business is family owned and operated and they plan to replace three dry cleaning machines. Director O’Keeffe introduced the owner of Midtown Dry Cleaners, Mr. Mike Duda, to present on the project.

Mr. Duda explained that Midtown Dry Cleaners has been in operation since the 1950s and has been owned by his family for the last 47 years. They currently have four employees. It is the leading and largest dry cleaner in the area.

The project will replace three old machines with newer machines that feature an alternative solvent (referred to as PF2000) that is not as hazardous as PERC. Additionally, the newer machines use better soaps and softeners that give the clothes a better look and feel. These factors improve both the employee and customer experience. Due to the increased output the machines will provide, they will be able to hire one additional full-time employee. Mr. Duda thanked the Authority for the opportunity to present the project.

Member Curtin inquired about the frequency of customer inquiries about the use of PERC. Mr. Duda responded that customers rarely ask about PERC. Member Curtin also wanted to know if dry cleaners are required by the State, to disclose the use of PERC. Mr. Duda stated that while their business puts signs on their windows to inform prospective customers about the usage of the chemical and that employees are trained on how to handle PERC, there are no disclosure requirements from the State. Mr. Duda added that this training and the placement of window signs would be eliminated with the addition of the new machines.

Vice-Chairman Keenan mentioned that many small businesses have been consolidated and was curious if Mr. Duda had noticed this occurring with dry cleaners. Mr. Duda stated that dry cleaners are diminishing, including two dry cleaners no longer in business near Midtown.

Member Phillips moved for approval. Member Brook seconded.

Vice-Chairman Keenan: Yes

Member Brook: Yes

Member Curtin: Yes

Member Phillips: Yes

Motion passed unanimously. Resolution adopted.

4. Resolution 22-46 (CARC)

Midtown Dry Cleaners, LLC

A resolution that approves grant assistance not to exceed \$20,000 from the Small Business Assistance Fund to Midtown Dry Cleaners, LLC for the purpose related to the eligible portions of the financing approved through Resolution 22-45.

Member Curtin moved for approval. Member Brook seconded.

Roll call vote:

Member Brook: Yes

Member Curtin: Yes

Member Phillips: Yes

Vice-Chairman Keenan: Yes

Motion passed unanimously. Resolution adopted.

Member Curtin inquired about the State's requirements on disclosure with the usage of PERC.

Vice-Chairman Keenan mentioned that he believes there are requirements for dry cleaners that are attached to residential buildings. Director O'Keeffe confirmed that is correct. Recent federal regulations required dry cleaners to stop using PERC if their operations exist within the same building as where people live. Director O'Keeffe also mentioned that the Ohio EPA handles the permits for all dry cleaners that use hazardous pollutants regulated by the Clean Air Act, including PERC. So OAQDA can follow-up to verify any disclosure requirements. Member Phillips stated that he recommends checking with Ohio EPA.

Member Curtin added that his awareness of PERC increased once he became a board member of OAQDA. He wondered if this could be considered a disclosure issue. Director O'Keeffe reiterated a lack of customer awareness of the harmful solvent. She mentioned that this is one of the reasons why OAQDA has focused on dry cleaners in the 2024-2025 budget request.

Member Brook inquired if there is a trade association for dry cleaners. Director O'Keeffe confirmed yes and stated that staff will research and report back to members.

5. Resolution 22-47 (Administrative)

Guidelines for Bond Issuance

A resolution amending the Authority's Guidelines for Issuance of Bonds.

Director O'Keeffe introduced this resolution to address the updated revisions in OAQDA's bond guidelines. The guidelines were previously adopted by the board in 2019 and again in 2020 as part of the Clean Air Improvement Program launch. These guidelines are intended to assist prospective businesses in understanding the Authority's requirements as financing is contemplated at the onset.

Director O'Keeffe and General Counsel Boggs worked in collaboration with bond and issuer's counsels to revise the guidelines. Director O'Keeffe introduced General Counsel Boggs to present on the proposed revisions.

General Counsel Boggs noted that a revised hard copy of the Resolution was distributed prior to the meeting. This version differs from the one in the electronic packet. The revised resolution features Section Two, which provides implementation authority for the Executive Director such as making necessary adjustments to the CAIP guidelines or making minor administrative revisions to deploy the guidelines without a need of additional Board approval.

The Guidelines are presented in three categories: (1) General Considerations, (2) Inducement Resolution, and (3) Miscellaneous Contract Terms. He reviewed the substantive changes made in the Guidelines.

The first revision involves the explicit authority of OAQDA to issue short-term bond anticipation notes for projects. This would allow projects to seek approval during the process, prior to final bond issuance. It helps to facilitate the ability to have the sales and use tax exemptions that are

critical for some projects. OAQDA has issued these types of notes in the past and this revision is consistent with that practice.

Director O’Keeffe mentioned feedback from a borrower in support of these bond anticipation notes after their experience with the process and inability to realize the full benefits of the sales and use tax exemptions related to the long lead times needed to procure materials and supplies. So they had to place orders prior to the OAQDA bond being issued and could not access the tax benefits on this portion of the project.

Vice-Chairman Keenan commented that he is familiar with Bond Anticipation Notes (BAN) and inquired on an example of issuing a BAN. General Counsel Boggs stated it would be akin to the example Director O’Keeffe shared. If the borrower plans to finance a smaller project that will be incorporated into a larger bond package, they could use this tool. It would allow them to identify eligible costs from the project that can benefit from the tax exemption rather than wait until the issuance of entire bond. Vice-Chairman Keenan commented on interest rates or other charges assessed to the project in these cases, and General Counsel Boggs stated it would depend on the capital provider.

Another revision added to the Guidelines is that the bonds would be tied to the useful life of the project that is being financed, which is a common practice but makes it officially part of board policy in these Guidelines as well as existing in CAIP guidelines.

General Counsel Boggs acknowledges Chairman Simon’s arrival at 10:28 am.

Additional revisions under the General Considerations section include the retention of professional services and the payment of fees by the applicant/borrower; need for second-party opinions as part of the Green Bonds Initiative; eliminating the requirement of an investor letter when bonds are transferred to political subdivisions; confirm that projects must be maintained as an ‘air quality facility’ to maintain tax benefits associated with the OAQDA bonds; and transparency regarding fees.

In the Inducement Resolution section, two revisions address clarifying the purpose of these types of resolutions in the process and the ability to extend them.

In the Miscellaneous section, revisions involve the contract terms, as suggested by Bond and Issuer’s Counsel. For example, identifying Ohio as the location to address disputes.

Member Brook wanted to know Vice-Chairman Keenan’s thoughts on the revised guidelines given his tenure and experience on the Board. Vice-Chairman Keenan commented that OAQDA has been following the principles of these guidelines over past four years. As a result, he has seen significant improvement in the understanding and compliance of these guidelines by applicants and borrowers.

Chairman Simon and Director O’Keeffe both added that the guidelines help improve transparency and customer service by OAQDA to its customers.

Chairman Simon moved for approval. Member Brook seconded.

Roll call vote:

Vice-Chairman Keenan: Yes

Member Curtin: Yes

Chairman Simon: Yes

Member Phillips: Yes

Member Brook: Yes

Motion passed unanimously. Resolution adopted.

6. Resolution 22-48

Rea & Associates

A resolution authorizing the Executive Director to execute an extension agreement with the Auditor of State, for annual auditing services to be provided by Rea & Associates.

Director O’Keeffe introduced this resolution as one that is being reintroduced to the board following an inquiry from the August 2022 meeting. This resolution is for the extension of the existing agreement between the Auditor of State and Rea & Associates to perform the Authority’s annual audit for another five-year term.

The question that led to the resolution being tabled in August relates to whether there is a termination clause in the agreement. General Counsel Boggs explained that upon reviewing the original agreement with the Auditor of State and Rea & Associates, a termination clause is included that can be canceled by OAQDA with a notice of two months, prior to the beginning of fieldwork for a year being audited. Doing so would require cooperation with the Auditor of State’s office. There is a provision within the original RFP that the Auditor of State can cancel the agreement at any time.

Vice-Chairman Keenan asked if the auditor could cancel unilaterally without action by the Authority Board, to which General Counsel Boggs responded that they could do so, since the role of the Auditor of State is to perform these services for public agencies. In the case of the Authority, they opted to utilize a third-party vendor with Rea & Associates.

Vice-Chairman Keenan moved for approval. Member Phillips seconded.

Roll call vote:

Member Brook: Yes

Member Phillips: Yes

Chairman Simon: Yes

Vice-Chairman Keenan: Yes

Member Curtin: Yes

Motion passed unanimously. Resolution adopted.

A resolution authorizing the Authority's budget request for the State of Ohio's 2024-2025 biennial operating budget.

Director O'Keeffe stated that the team has been busy working on the agency request in response to budget guidance issued by the Office of Budget and Management (OBM) for the biennium budget period of 2024-2025. This request is due Friday, October 14, 2022. Director O'Keeffe presented Fiscal Officer Pertner to provide an overview of the budget request.

Ms. Pertner stated that Authority is requesting revenue to seed the Clean Air Improvement Loan Loss Reserve and the Small Business Relief Acceleration (SBRA) program. In total, the Authority is requesting approximately a total of \$13 million for fiscal years 2024 and 2025. Director O'Keeffe added that the SBRA is primarily focused on dry cleaners and other small businesses adversely impacted from the pandemic.

Vice-Chairman Keenan asked if this request is more than the usual request, to which Director O'Keeffe confirmed it is. Vice-Chairman Keenan also inquired if the request to OBM highlights the potential for federal funding. Director O'Keeffe stated that this is laying the groundwork for seeking additional funding through the Inflation Reduction Act.

Ms. Pertner continued with her presentation, stating the request includes \$10 million per fiscal year to seed the loan loss reserve, with a target of attracting \$50 to \$100 million in private capital for bond issuances annually. There is a particular focus on disadvantaged communities and ability to measure success by evaluating the economic, environmental and health co-benefits on projects through a Social Return on Investment (SROI).

General Counsel Boggs explained the request for legislative changes that accompanies the budget, which includes clarifying language on remittances from and use of property assessed clean energy as part of bond issuances as well as language on modifying the amount of grant funds available for small businesses through the SBRA. Member Curtin inquired if the Authority foresees opposition to this request. Director O'Keeffe responded that the focus is on disadvantaged communities, such as the Appalachian region and fill the gaps in the market to complement existing partners and programs.

Vice-Chairman Keenan inquired if the Authority has been able to articulate the calculation of SROI. Director O'Keeffe noted there has been a recognition that the Authority's programs generate a lot of multiple benefits, such as helping the economy through job creation, environmental improvements, and public health by reducing air pollutants that can lead to hospitalization. The Director recognized Ms. Laura Klein, who is leading the development of a SROI and in a partnership with Ohio University. Director O'Keeffe noted that this tool may strengthens Authority's request for increased funding as the program's impact are better measured and understood.

Ms. Pertner continued with her presentation stating that the Clean Air Resource Center (CARC) is focused on increasing funding access by dry cleaners and other small businesses in disadvantaged

communities. There was discussion on the legislative changes related to the grant funds available for SBRA. General Counsel Boggs mentioned that this proposed language change is uncodified and temporarily supersedes the current Ohio Administrative Code language for existing grant amount. If adopted, it will become law during the term of the next biennium budget.

Chairman Simon noted timing regarding the legislative changes with upcoming lame duck session. Member Brook also observed potential champions in the General Assembly who may be interested in the work of the Authority with this request.

Member Phillips asked about the residential sector with implementation of property assessed clean energy, since there have been previous inquiries from vendors on the Authority's involvement. Vice-Chairman Keenan noted the higher risk and transactional costs associated with the residential program. Director O'Keeffe confirmed the Authority is focused on the commercial and industrial sectors, which are aligned with the agency's purpose.

Ms. Pertner continued with her presentation, highlighting the growth of the agency and need for additional personnel. The agency needs to increase capacity due to the growth of current programs and reduce operational constraints that may impact business customers. Director O'Keeffe noted that this request is related to seeking an adequate appropriation approval to cover anticipated operating costs with personnel, which is forecasted at this point to determine the need in fiscal years 2024-2025.

Member Curtin inquired on the impact of additional staff with current office space. Director O'Keeffe replied that there are ongoing discussions to explore options, although the existing hybrid model of employees working remotely is successful. She anticipates an update to the Board in November.

Chairman Simon inquired on annual revenue targets. Ms. Pertner had prepared an analysis of expected operating expenses, payrolls, and revenue until 2031. This analysis incorporates more conservative assumptions over time, and forecasts adequate revenue to cover all planned operating costs.

Ms. Pertner concluded her presentation.

Vice-Chairman Keenan moved for approval. Member Brook seconded.

Roll call vote:

Member Curtin: Yes

Member Brook: Yes

Vice-Chairman Keenan: Yes

Chairman Simon: Yes

Member Phillips: Yes

Member Brook shared information about Results Ohio, a program from the Ohio Treasurer. It is a Pay-For-Success program, where the user sets out a policy value they plan to create with clear

metrics, evaluated by a third-party evaluator. When metrics are achieved, the user receives a payment for their success. Member Brook believes this could be leveraged in some of the Authority's programs. Director O'Keeffe indicated the team will research it.

8. Executive Director's Report

Director O'Keeffe provided an update to the Members regarding recent organizational activities and began with highlighting program information.

A primary focus of her report is related to the funding opportunities with the Inflation Reduction Act. She attended a stakeholder conference in Washington D.C. in the previous week. This two-day event had around 75 other representatives from public and local agencies across the US. Information and discussions were focused on the \$27 billion that is available for financing clean energy projects. Of the total funding available, \$20 billion is allocated to a national nonprofit to deploy funds to existing or start new green banks. The remaining \$7 billion is focused on deploying rooftop or other greenhouse gas emissions reduction strategies. Discussion ensued on eligibility requirements and timing with a proposal anticipated by end of the year. Director O'Keeffe also mentioned key partners and stakeholders are being updated to ensure coordination where possible.

Director O'Keeffe asked for direction and feedback from the Board.

Vice-Chairman Keenan preferred that the Authority took a lead on the proposal on behalf of the state and inquired on the ability to complete a proposal for submission. Director O'Keeffe indicated the consultant team at Sustainable Capital Advisors can assist in drafting a proposal. She is exploring partnership with JobsOhio and local port authorities.

Member Brook inquired on the ideal scenario and it was agreed that Director O'Keeffe will follow-up after more time for learning and reflection. One role for the Authority could be in the secondary market, to which loan funds could be replenished through issuance of bonds by the Authority. The ability to recycle funds is a major factor in the award of the \$27 billion.

Chairman Simon asked Director O'Keeffe about multiple Midwest states working together. Director O'Keeffe felt this approach is a good idea, but may be difficult to implement given the Authority's work within the state boundaries under the state statute.

Member Phillips asked if Director O'Keeffe has spoken to the air division within Ohio EPA. Director O'Keeffe indicated she has a meeting scheduled with Member Mark Johnson later in the week and hopes to share insights through these conversations.

Finally, Director O'Keeffe acknowledged and thanked the OAQDA team for their dedication and hard work on developing and submitting the agency budget.

9. Adjournment

Chairman Simon adjourned the meeting at 11:25 am.

The regular meeting of the *OHIO AIR QUALITY DEVELOPMENT AUTHORITY* will be held on Tuesday, December 13, 2022, at 10:00 am at 480 South High Street, Columbus, Ohio, 43215.